

105 KAR 1:145. Voluntary cessation of participation by employers.

RELATES TO: KRS 61.510, 61.522, 61.546, 61.552, 61.555, 61.565, 61.590, 61.598, 61.625, 61.637, 61.675, 78.510 – 78.852, 26 U.S.C. 401

STATUTORY AUTHORITY: 61.522(8), 61.645(9)(g)

NECESSITY, FUNCTION, AND CONFORMITY: KRS 61.645(9)(g) authorizes the Board of Trustees of Kentucky Retirement Systems to promulgate administrative regulations necessary or proper in order to carry out the provisions of KRS 61.510 to 61.705, and 78.510 to 78.852. KRS 61.522 authorizes certain participating employers in the Kentucky Employees Retirement System and the County Employees Retirement System to voluntarily cease participation if they pay the full actuarial cost. KRS 61.522(8) requires the board to promulgate administrative regulations to administer the provisions of the statute. This administrative regulation establishes the procedures and requirements for voluntary cessation of participation in the Kentucky Employees Retirement System and the County Employees Retirement System by qualifying employers.

Section 1. Definitions. (1) "Ceased employer" means an employer:

(a) Whose Form 7730, Application for Voluntary Cessation from CERS or KERS, has been approved by the systems; and

(b) Who:

1. Has paid the full actuarial cost; or
2. Is currently paying the full actuarial cost by installments for a period of time determined by the board pursuant to KRS 61.522(3)(a).

(2) "Cessation date" means the last day of the Kentucky Employees Retirement Systems' or the County Employees Retirement Systems' plan year.

(3) "Plan year" means the period beginning July 1 and ending June 30.

Section 2. (1) An employer may request an estimate of the actuarial cost of ceasing participation from Kentucky Employees Retirement System or County Employees Retirement System. The request shall be made by completing the Form 7725, Request for Estimated Actuarial Cost of Voluntary Cessation.

(2) Kentucky Retirement Systems shall provide the estimate of the cost as of the next available cessation date.

(3) Kentucky Retirement Systems shall provide the estimate of the cost based on the information currently in its database and projecting the service and salary of all active employees as if they remain employed and continue to earn the same creditable compensation through the next available cessation date.

(4) The estimated actuarial cost of ceasing participation shall not be binding on Kentucky Retirement Systems.

(5) The employer shall not rely on the estimated actuarial cost of ceasing participation.

(6) Kentucky Retirement Systems shall notify the employer of the administrative cost to process the Form 7725, Request for Estimated Actuarial Cost of Voluntary Cessation. The administrative cost shall be calculated as follows:

(a) If the number of employees and former employees to be submitted to the actuary for purposes of determining the estimated actuarial cost of voluntary cessation equals one (1) to 100 employees, the administrative cost shall be \$1,500.

(b) If the number of employees and former employees to be submitted to the actuary for purposes of determining the estimated actuarial cost of voluntary cessation equals 101 or more employees, the administrative cost shall be \$4,000.

(7) Kentucky Retirement Systems shall process the Form 7725, Request for Estimated Actuarial Cost of Voluntary Cessation, after the employer has remitted its payment for the administrative cost.

Section 3. (1) The governing body of an employer seeking to cease participation in Kentucky Employees Retirement System or County Employees Retirement System shall pass a resolution to voluntarily cease participation in Kentucky Employees Retirement System or County Employees Retirement System.

(2) The resolution shall contain the following statements:

(a) That the employer has decided to voluntarily cease participation in Kentucky Employees Retirement System or County Employees Retirement System;

(b) That the employer acknowledges that the employer is subject to the requirements and restrictions of KRS 61.522 and this administrative regulation;

(c) That the employer acknowledges that in order to voluntarily cease participation in Kentucky Employees Retirement System or County Employees Retirement System the employer shall pay the full actuarial cost of withdrawal and all administrative costs;

(d) That the employer acknowledges that the employer's employees will no longer earn service credit in Kentucky Employees Retirement System or County Employees Retirement System for employment with the employer after the employer's approved cessation date from Kentucky Employees Retirement System or County Employees Retirement System under KRS 61.522 and this administrative regulation;

(e) That the employer agrees to cooperate with Kentucky Retirement Systems to educate the employer's employees about the effect of the employer's cessation on their retirement accounts and their options regarding their retirement accounts; and

(f) That the employer shall not mandate, force, or require its employees to take a refund of their accumulated account balance as defined by KRS 61.510(41) or 78.510(38) or retaliate against its employees who chose not to take refunds of their accumulated account balance as defined in KRS 61.510(41) or 78.510(38).

Section 4. (1) An employer seeking to cease participation in Kentucky Employees Retirement System or County Employees Retirement System shall file a completed Form 7730, Application for Voluntary Cessation from CERS or KERS, with the executive director of Kentucky Retirement Systems by December 31 during the plan year containing the employer's selected cessation date.

(2) The employer shall submit the following documents with its Form 7730, Application for Voluntary Cessation from CERS or KERS:

(a) The Resolution of the Board of the employer resolving to voluntarily cease its participation in Kentucky Employees Retirement System or County Employees Retirement System;

(b) The employer's Articles of Incorporation, if applicable;

(c) The employer's current by-laws, if applicable;

(d) The employer's Certificate of Existence/Authorization from the Kentucky Secretary of State, if applicable;

(e) Documentation of the alternative retirement program created by or being created by the employer for its employees, such as a written description of the alternative retirement program;

(f) The employer's most recent five (5) audited financial statements and independent auditor's reports;

(g) The employer's most recent five (5) Consolidated Annual Financial Reports, if applicable;

(h) For employers intending to pay the full actuarial cost by lump sum, documentation of the

source of the funds the employer intends to use to pay the full actuarial cost; and

(i) For employers intending to pay the full actuarial costs by installment payment plan, documentation of:

1. Source of funds to pay the installment payments;
2. List of real property owned by the employer, including deeds of conveyance, title, all liens or encumbrances on the real property, and any current written contractual lease or rental agreement of the real property identified;
3. List of liabilities of the employer;
4. Inventory of all other chattel and personal property owned by the employer or in which the employer has an interest that may be used as collateral by the employer, including a description of the property, the location of the property, and an estimated value; and
5. A Proposed Detailed Financing Statement.

(3) The employer shall submit with its Form 7730, Application for Voluntary Cessation from CERS or KERS, an encrypted electronic file listing each current and former full time employee as defined by KRS 61.510(21) and 78.510(21) who were employed during any time period the employer participated in Kentucky Employees Retirement System or County Employees Retirement System, containing:

- (a) Full name;
- (b) Last known address;
- (c) Date of birth;
- (d) Social security number or Kentucky Retirement Systems member id;
- (e) Beginning date of employment;
- (f) Date employment ended, if applicable;
- (g) Sick leave balance;
- (h) Beginning and ending dates of any active duty military service when the employee was not employed by the employer filing the Form 7730, Application for Voluntary Cessation from CERS or KERS, if available; and

(i) Beginning and ending dates of any active duty military service when the employee was employed by the employer filing the Form 7730, Application for Voluntary Cessation from CERS or KERS.

(4) The employer shall submit with its Form 7730, Application for Voluntary Cessation from CERS or KERS, a list of pending lawsuits, legal actions, arbitrations, mediations, and other litigation, except for cases in which the employer is seeking to collect a debt owed to it by one (1) of its members, to which the employer is a party including:

- (a) Name of the case;
- (b) The case number;
- (c) The name and address of the court, arbitrator, mediator, or administrative agency in which the case is pending; and
- (d) A copy of the complaint or a description of the allegations made in the complaint as well as the type and amount of relief sought by the plaintiff or plaintiffs.

(5) Kentucky Retirement Systems shall not accept or continue processing a Form 7730, Application for Voluntary Cessation from CERS or KERS, for an employer who:

- (a) Has not paid or otherwise resolved all its outstanding invoices with Kentucky Retirement Systems;
- (b) Has reporting that is not correct in accordance with KRS 61.675, 78.625, and 105 KAR 1:140; or
- (c) Is a party to pending legal action in which Kentucky Retirement Systems is an adverse party and the result of which may affect the accounts of the employer's employees, the employer's full actuarial cost of ceasing participation, or the amount of employer contributions

owed by the employer.

(6) The Board of Trustees of Kentucky Retirement Systems shall accept or reject the Form 7730, Application for Voluntary Cessation from CERS or KERS, for processing prior to the cessation date following submission of the Form 7730, Application for Voluntary Cessation from CERS or KERS.

Section 5. (1) The employer shall pay the administrative costs incurred by Kentucky Retirement Systems for processing the employer's Form 7730, Application for Voluntary Cessation from CERS or KERS.

(2) The employer shall pay \$10,000 as a deposit with the Form 7730, Application for Voluntary Cessation from CERS or KERS.

(3) Kentucky Retirement Systems shall place the deposit in a designated account and shall utilize the funds to pay the administrative costs of processing the employer's Form 7730, Application for Voluntary Cessation from CERS or KERS.

(4) Kentucky Retirement Systems shall maintain records of all costs associated with the processing of employer's Form 7730, Application for Voluntary Cessation from CERS or KERS, including:

(a) The cost of compensation and benefits of Kentucky Retirement Systems' employees computed on an hourly basis;

(b) Fees incurred by Kentucky Retirement Systems for use of external professional services; and

(c) The costs of postage, printing, and other expenses incurred by Kentucky Retirement Systems.

(5) Kentucky Retirement Systems shall calculate its total administrative costs and send an invoice to the employer either after the employer gives notice to Kentucky Retirement Systems pursuant to Section 10(3) of this administrative regulation or following withdrawal of the employer's Form 7730, Application for Voluntary Cessation from CERS or KERS.

(a) Kentucky Retirement Systems shall apply the deposit received pursuant to subsection (2) of this section to any administrative costs incurred by Kentucky Retirement Systems as a result of the employer seeking to utilize the provisions of KRS 61.522.

(b) Following the application of the deposit to the outstanding administrative costs, Kentucky Retirement Systems shall submit an invoice to the employer for the additional administrative costs and the employer shall pay the invoice for the remaining administrative costs within thirty (30) days of the date of the invoice.

(6)(a) If the total administrative cost is less than the deposit paid by the employer, Kentucky Retirement Systems shall apply the remaining balance of the deposit to the:

1. Full actuarial cost if the employer gives notice of its intention to proceed with the voluntary withdrawal pursuant to Section 9(3) of this administrative regulation; or

2. Amount owed by the employer to Kentucky Retirement Systems for continued participation if the employer gives notice of its intention not to proceed with the voluntary withdrawal pursuant to Section 9(3) of this administrative regulation.

(b) Kentucky Retirement Systems shall refund any remaining balance to the employer after the amounts due pursuant to paragraph (a) of this subsection have been satisfied.

(7) The Board of Trustees of Kentucky Retirement Systems shall not consider the employer's Form 7730, Application for Voluntary Cessation from CERS or KERS, until the employer has paid all the administrative costs incurred by Kentucky Retirement Systems.

(8) The costs paid pursuant to this section shall not be refunded to the employer if the employer withdraws its application.

Section 6. (1) Kentucky Retirement Systems shall take reasonable efforts to notify each employee identified on the list provided by the employer that the employer has filed a Form 7730, Application for Voluntary Cessation from CERS or KERS, to voluntarily cease participating in County Employees Retirement System or Kentucky Employees Retirement System.

(2) Kentucky Retirement Systems shall provide notice informing the employee of the employee's right to request an irrevocable refund, pursuant to KRS 61.522(3)(a)5., of their accumulated account balance as defined in KRS 61.510(41) or 78.510(38) within sixty (60) days of the employer's cessation date by submitting a completed Form 1500, KRS 61.522 60-Day Transfer Request, to Kentucky Retirement Systems. The notice shall be sent at least ten (10) days prior to the employer's cessation date.

(a) Kentucky Retirement Systems shall send the notice to the active employees listed by the employer who has filed a Form 7730, Application for Voluntary Cessation from CERS or KERS, on its most recent report required by KRS 61.675 or 78.625 filed prior to the date the notices required by KRS 61.522 are mailed.

(b) The employer shall submit the name and contact information of each employee it hires between the date the employer filed its Form 7730, Application for Voluntary Cessation from CERS or KERS, and the employer's effective cessation date within five (5) days of the date the employee begins working for the ceasing employer.

(c) A Form 1500, KRS 61.522 60-Day Transfer Request, submitted on or before the employer's effective cessation date shall be void.

(d) A Form 1500, KRS 61.522 60-Day Transfer Request, submitted after the last day of the sixty (60) day refund period shall be void.

(e) The employee shall be employed by the employer who has filed a Form 7730, Application for Voluntary Cessation from CERS or KERS, on the employer's effective cessation date to be eligible to request a refund of his accumulated account balance pursuant to KRS 61.522(3)(a)5.

(f) If the employee requests a refund of his accumulated account balance pursuant to KRS 61.522(3)(a)5., the employee's accumulated account balance shall be transferred to the employer's alternative retirement plan pursuant to this section even if the employee terminates employment with the employer prior to the date the Board of Trustees of Kentucky Retirement Systems has approved the employer's Form 7730, Application for Voluntary Cessation from CERS or KERS, and the employer has become a ceased employer.

(3)(a) The employer who has filed a Form 7730, Application for Voluntary Cessation from CERS or KERS, shall establish an alternative retirement plan that is a qualified plan pursuant to 26 U.S.C. 401 on or before the expiration of the sixty (60) day refund period provided in KRS 61.522(3)(a)5.

(b) The employer shall submit verification that it has established an alternative retirement plan that is a qualified plan pursuant to 26 U.S.C. 401.

(c) Kentucky Retirement Systems shall accept one (1) of the following as verification that the employer has established an alternative retirement plan that is a qualified plan pursuant to 26 U.S.C. 401:

1. A determination letter from the Internal Revenue Service providing that the alternative retirement plan established by the employer is a qualified plan pursuant to 26 U.S.C. 401;

2. A letter from the employer's legal counsel certifying that the alternative retirement plan established by the employer is intended as a qualified plan pursuant to 26 U.S.C. 401 capable of accepting trustee to trustee transfers; or

3. Other reliable verification as determined by Kentucky Retirement Systems.

(d) Refunds requested pursuant to KRS 61.522(3)(a)5. shall be transferred to the alternative retirement plan established by the employer who has filed a Form 7730, Application for Volun-

tary Cessation from CERS or KERS, by trustee to trustee transfer after the Board of Trustees of Kentucky Retirement Systems has approved the employer's Form 7730, Application for Voluntary Cessation from CERS or KERS, and the employer has become a ceased employer.

1. The alternative retirement plan shall accept and separately account for post-tax employee contributions.

2. The employer's legal counsel shall provide written certification that its alternative retirement plan shall accept and separately account for post-tax employee contributions.

(e) If the employer who has filed a Form 7730, Application for Voluntary Cessation from CERS or KERS, fails to establish an alternative retirement plan pursuant to paragraph (a) of this subsection or refuses to accept and separately account for post-tax employee contributions, the refund requests pursuant to KRS 61.522(3)(a)5. shall be void. The employees who filed the refund requests pursuant to KRS 61.522(3)(a)5. shall remain members of the system and shall be included in the full actuarial cost.

(4) The employer shall not mandate, force, or require its employees to take a refund of their accumulated account balance as defined in KRS 61.510(41) or 78.510(38) or retaliate against any employee who does not take refund of their accumulated account balance as defined by KRS 61.510(41) or 78.510(38).

(5) Former employees of the employer who are currently participating in the State Police Retirement System, County Employees Retirement System, or Kentucky Employees Retirement System, due to employment with a participating agency, shall not be eligible to take a refund of their accumulated account balance.

(6) Current employees of the employer who are also employed by another employer participating in the State Police Retirement System, County Employees Retirement System, or Kentucky Employees Retirement System shall not be eligible to take a refund of their accumulated account balance.

(7) Current employees of the employer on its effective cessation date may request a refund pursuant to KRS 61.522(3)(a)5.

(8) Former employees of the employer who are not participating in State Police Retirement System, County Employees Retirement System, or Kentucky Employees Retirement System shall not be eligible to take a refund of their accumulated account balance pursuant to KRS 61.522(3)(a)5.

(9) Current and former employees shall not be eligible to purchase service credit pursuant to KRS 61.552 after the employer's effective cessation date.

(a) If the employer's Form 7730, Application for Voluntary Cessation from CERS or KERS, is withdrawn by the employer or rejected by the Board of Trustees of Kentucky Retirement Systems, the employee's eligibility to purchase service pursuant to KRS 61.552 shall be reinstated.

(b) An employee may purchase service credit pursuant to KRS 61.552(23) for service with an employer other than the employer who has filed a Form 7730, Application for Voluntary Cessation from CERS or KERS.

(10)(a) Former employees shall not be eligible to purchase service after the employer's effective cessation date pursuant to KRS 61.552(1) through (5), (12), (14), (15), (21), (22), (23), (24), (26), (28), and (30) if the service is related to employment with the employer who has filed a Form 7730, Application for Voluntary Cessation from CERS or KERS.

(b) If the employer's Form 7730, Application for Voluntary Cessation from CERS or KERS, is withdrawn by the employer or rejected by the Board of Trustees of Kentucky Retirement Systems, the employee's eligibility to purchase service pursuant to KRS 61.552(1) through (5), (12), (14), (15), (21), (22), (23), (24), (26), (28), and (30) shall be reinstated.

Section 7. (1) The employer shall continue to file reports in accordance with KRS 61.675, 78.625, and 105 KAR 1:140 after the employer's cessation date until the Form 7730, Application for Voluntary Cessation from CERS or KERS, is approved by the Board of Trustees of Kentucky Retirement Systems and the employer becomes a ceased employer.

(2) The employer shall continue to remit employer contributions in accordance with KRS 61.675, 78.625, and 105 KAR 1:140 after the cessation date until the Form 7730, Application for Voluntary Cessation from CERS or KERS, is finally approved by the Board of Trustees of Kentucky Retirement Systems and the employer becomes a ceased employer.

(a)1. Kentucky Retirement Systems shall hold the employer contributions until the Form 7730, Application for Voluntary Cessation from CERS or KERS, is finally approved by the Board of Trustees of Kentucky Retirement Systems and the employer becomes a ceased employer.

2. Kentucky Retirement Systems shall credit the entire sum of the employer contributions remitted pursuant to this section to the employer's full actuarial cost if the employer is paying by lump sum as established in Section 10(1)(a) of this administrative regulation or to the employer's initial payment under the installment payment plan established pursuant to Section 10(1)(b) of this administrative regulation.

(b) If the employer does not become a ceased employer because it withdraws its Form 7730, Application for Voluntary Cessation from CERS or KERS, or if its Form 7730, Application for Voluntary Cessation from CERS or KERS, is rejected by the Board of Trustees of Kentucky Retirement Systems, the employer contributions remitted pursuant to this subsection shall be credited towards any outstanding contributions owed for its continued participation in Kentucky Employees Retirement System or County Employees Retirement System while the Form 7730, Application for Voluntary Cessation from CERS or KERS, was pending.

(c) Kentucky Retirement Systems shall refund any remaining balance to the employer after the amounts due pursuant to paragraphs (a) and (b) of this subsection have been satisfied.

(3)(a) If the employer's Form 7730, Application for Voluntary Cessation from CERS or KERS, is withdrawn by the employer or is rejected by the Board of Trustees of Kentucky Retirement Systems, the employer shall resume withholding employee contributions effective the month after the month in which the Form 7730, Application for Voluntary Cessation from CERS or KERS, was withdrawn or rejected.

(b) Pursuant to KRS 61.552(23), if the employer's Form 7730, Application for Voluntary Cessation from CERS or KERS, is withdrawn by the employer or is rejected by the Board of Trustees of Kentucky Retirement Systems, Kentucky Retirement Systems shall provide notice to each employee of the amount of employee contributions due to Kentucky Retirement Systems for the time period between the employer's proposed cessation date and the date the Form 7730 was withdrawn or rejected.

(c) The employee shall not receive service credit for the period between the employer's proposed cessation date and the date the Form 7730, Application for Voluntary Cessation from CERS or KERS, was withdrawn or rejected, if the employee does not pay the employee contributions to Kentucky Retirement Systems.

(4)(a) If a member who is an employee of the employer that has filed a Form 7730, Application for Voluntary Cessation from CERS or KERS, files for disability retirement benefits while the employer's Form 7730, Application for Voluntary Cessation from CERS or KERS is pending, Kentucky Retirement Systems shall use the employer's proposed cessation date as the member's last day of paid employment if the member has not established a last day of paid employment prior to the employer's cessation date.

(b) If the employer's Form 7730, Application for Voluntary Cessation from CERS or KERS, is withdrawn by the employer or rejected by the Board of Trustees of Kentucky Retirement

Systems, Kentucky Retirement Systems shall determine the member's last day of paid employment pursuant to KRS 61.510(32) if the member has paid the employee contributions due.

(c) If an employee does not pay the employee contributions due, the first day of the month the employer resumes withholding employee contributions shall be a reemployment date for purposes of determining eligibility for disability retirement benefits.

(5) The employer shall continue to pick-up payments for installment purchase of service for any employee who is purchasing service pursuant to KRS 61.552(16) and 105 KAR 1:150.

(a) The employee shall have sixty (60) days from the date the employer's Form 7730, Application for Voluntary Cessation from CERS or KERS, is approved by the Board of Trustees of Kentucky Retirement Systems and the employer becomes a ceased employer to pay in full any outstanding balance on the installment purchase agreement pursuant to KRS 61.552(16) and 105 KAR 1:150.

(b) If the employer's Form 7730, Application for Voluntary Cessation from CERS or KERS, is withdrawn by the employer or is rejected by the Board of Trustees of Kentucky Retirement Systems, the employee's installment purchase of service agreement shall remain in effect.

(6)(a) Employees of the ceased employer who began participating on or after January 1, 2014 shall be vested in the four (4) percent employer pay credit and applicable interest attributable to the time the employee was employed by the ceased employer that had been accrued as of the ceased employer's cessation date.

(b) Employees of the ceased employer who began participating on or after January 1, 2014 shall not be vested in the four (4) percent employer pay credit or applicable interest attributable to the time the employee was employed with an employer other than the ceased employer.

Section 8. (1) Employees of an employer that has submitted a Form 7730, Application for Voluntary Cessation from CERS or KERS, shall comply with the provisions of KRS 61.590, 61.625 and 61.637.

(2) Employees of a ceased employer shall terminate employment with all participating employers and the ceased employer prior to retiring pursuant to KRS 61.590 or taking a refund pursuant to KRS 61.625.

(3)(a) Employees of a ceased employer shall comply with KRS 61.637 and 105 KAR 1:390 after retirement.

(b) The ceased employer shall certify that the employee seeking to retire is terminating employment or has terminated employment with no prearranged agreement to return to work for the ceased employer.

Section 9. (1) The employee shall receive service credit for sick leave accrued pursuant to KRS 61.546 or 78.616 as of the employer's cessation date.

(a) The employer shall report the number of hours of each employee's accumulated sick leave as of the cessation date if the employer is under one (1) of the sick leave programs established in KRS 61.546 or 78.616(1) through (4).

(b) The employer shall report the number of days of each employee's accumulated sick leave as of the cessation date if the employer elected the sick leave program established in KRS 78.616(5).

(c) Kentucky Retirement Systems shall credit the months of sick leave service reported pursuant to this section to the employee's total service credit and include the months in the calculation of the employer's full actuarial cost.

(2) Kentucky Retirement Systems shall credit the months of military service to which the employee is entitled pursuant to KRS 61.555(1) and (2) if reported by the employer or by the employee prior to the employer's effective cessation date and include the months in the calcu-

lation of the employer's full actuarial cost.

Section 10. (1) The employer shall pay or otherwise resolve all its invoices and correct all reporting in accordance with KRS 61.675, 78.625, and 105 KAR 1:140 by August 31 after the cessation date.

(2) Kentucky Retirement Systems shall provide the employer with the amount of the full actuarial cost by sending a notice of actuarial cost and the report of the actuary to the employer.

(3) The employer shall notify Kentucky Retirement Systems in writing of its decision to cease participation or withdraw the Form 7730, Application for Voluntary Cessation from CERS or KERS, within sixty (60) days of the date of the notice of actuarial cost. If the employer intends to cease participation, it shall also provide notice of how it intends to pay the full actuarial cost.

(a) If an employer intends to pay the full actuarial cost by installment payment plan, the employer shall provide Kentucky Retirement Systems a list of collateral to use as security for the installment payment plan.

(b) The employer shall take all actions necessary to perfect the security interest in the collateral for Kentucky Retirement Systems.

(4) The employer shall submit the final plan documents for its alternative retirement program with its notification if it intends to cease participation.

(5) The Board of Trustees of Kentucky Retirement Systems shall not consider the employer's Form 7730, Application for Voluntary Cessation from CERS or KERS, until the employer has paid all the administrative costs incurred by Kentucky Retirement Systems, pursuant to Section 5 of this administrative regulation.

(6) After the employer has paid all the administrative costs, the Board of Trustees of Kentucky Retirement Systems shall approve or reject the employer's Form 7730, Application for Voluntary Cessation from CERS or KERS.

Section 11. (1) The ceased employer shall pay the full actuarial cost by:

(a) Lump sum payment paid within thirty (30) days of the date the Board of Trustees of Kentucky Retirement Systems approves its application; or

(b) Installment payment plan pursuant to KRS 61.522(3).

(2) Kentucky Retirement Systems shall use the assumed rate of return adopted by the Board of Trustees of Kentucky Retirement Systems as of the employer's cessation date as the interest rate for the ceased employer's installment payment plan.

(3)(a) A ceased employer whose full actuarial cost is less than \$40,000,000.00 shall have up to sixty (60) months to pay the full actuarial cost plus interest at the actuarially assumed rate of return by monthly installment payments.

(b) A ceased employer whose full actuarial cost is greater than or equal to \$40,000,000.00 and less than \$70,000,000.00 shall have up to 120 months to pay the full actuarial cost plus interest at the actuarially assumed rate of return by monthly installment payments.

(c) A ceased employer whose full actuarial cost is greater than or equal to \$70,000,000.00 and less than \$100,000,000.00 shall have up to 180 months to pay the full actuarial cost plus interest at the actuarially assumed rate of return by monthly installment payments.

(d) A ceased employer whose full actuarial cost is greater than or equal to \$100,000,000.00 shall have up to 240 months to pay the full actuarial cost plus interest at the actuarially assumed rate of return by monthly installment payments.

(e) The amount of a ceased employer's monthly installment payment shall not be less than the average amount of the monthly employer contributions remitted during in the fiscal year containing the employer's effective cessation date.

(4) The ceased employer shall pay the initial installment payment for the fiscal year after the employer's cessation date within thirty (30) days of the final decision of the Board of Trustees approving the ceased employer's application for voluntary withdrawal.

(5) The ceased employer shall pay installment payments annually for the ensuing fiscal year on July 1 of each year.

(6) If the ceased employer defaults on the installment payment plan agreement, the employer shall be responsible for all administrative and legal fees incurred by Kentucky Retirement Systems to enforce the agreement.

Section 12. (1) A person shall not purchase service pursuant to KRS 61.552(1) through (5), (12), (14), (15), (21), (22), (23), (24), (26), (28), and (30) if the service was with a ceased employer.

(2) An employee who becomes employed with a participating employer after terminating employment with a ceased employer may purchase service credit the employee would otherwise be eligible to purchase pursuant to KRS 61.552(8), (11), (18), (19), (20), (25), and (29).

Section 13. If the ceased employer was the last participating employer for the employee prior to the employee's retirement, the additional actuarial costs resulting from annual increases over ten (10) percent as established in KRS 61.598 shall not be invoiced to the ceased employer, but shall be collected pursuant to KRS 61.565.

Section 14. (1) If an employer files legal action against Kentucky Retirement Systems regarding the provisions of KRS 61.522 or this administrative regulation, the employer shall pay all administrative costs and legal fees incurred by Kentucky Retirement Systems if the employer's legal action against Kentucky Retirement Systems is unsuccessful or is dismissed for any reason other than by the agreement of the parties.

(2) The Board of Trustees of Kentucky Retirement Systems shall not approve or deny the employer's Form 7730, Application for Voluntary Cessation from CERS or KERS, until the legal action is resolved.

Section 15. If the employer's Form 7730 has not received final approval by Kentucky Retirement Systems' Board of Trustees or the withdrawing employer has not paid either the full actuarial cost by lump sum or the initial payment pursuant to the installment plan on or before June 30 of the year following the requested withdrawal date, the employer's Form 7730 shall be void.

Section 16. If any due date or time period deadline provided in KRS 61.522 or this administrative regulation falls on a Saturday, Sunday, or day that Kentucky Retirement Systems is closed due to state holiday, the due date or time period deadline shall extend to the close of business of the next business day.

Section 17. Incorporation by Reference. (1) The following material is incorporated by reference:

(a) Form 7725, "Request for Estimated Actuarial Cost of Voluntary Cessation", October 2015;

(b) Form 7730, "Application for Voluntary Cessation from CERS or KERS", March 2016; and

(c) Form 1500, "KRS 61.522 60-Day Transfer Request", March 2016.

(2) This material may be inspected, copied, or obtained, subject to applicable copyright law, at the Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort,

Kentucky 40601, Monday through Friday, 8 a.m. to 4:30 p.m. (42 Ky.R. 2293, 2578; eff. 6-3-16.)